

SEC46-B

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THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. HO-13388-A
KIK INTERACTIVE) AMENDED 12-5-2018

SUBJECT: AN EVENING WITH TED LIVINGSTON, CEO OF KIK
(JUNE 2017)

PAGES: 1 through 63

AUDIO TRANSCRIPTION

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PROCEEDINGS

TRAVIS: Okay. So, while everyone's getting settled, I'd like to start off by thanking our sponsors for all the pizza, and beer, and all of the amenities that you've been enjoying. So -- very helpful. (Inaudible) the mic's back there.

Waxman PR, who actually have a couple of people here today from there. They are a big PR firm in Wall Street. Deals in a lot of Bitcoin and related companies. They've always been a really strong partner with us for a while. We're very thankful for them and all the support they give us.

Obviously Kik is here today as well, and we're very thankful for that, and -- and you'll be hearing more about them very shortly. Coinsource, they have -- the put ATMs -- I think there's, like, three in the city right now, maybe more. All -- they're all over the world.

It's a really fantastic way to get some Bitcoin, and of course, Dash, which has been very supportive of our community, and we're very thankful to them as well. I wanted to start off by introducing Justin Hall. Justin is with this space, digital garage, and he'll tell you a little bit more about it.

MR. HALL: Thank you. I (inaudible) questions.

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and then that's step one, and step three is profit, and I'm like the step two, and so might you.

So, we can work together if you need a desk, a place to cowork, we host coworking desks, we have no floating or permanent seats. We have several companies that are in this crypto (inaudible) space -- cryptocurrency (inaudible) space, and we also host events like you see here.

Now, I will -- I learned something a little touching from this event. We were Travis's second choice venue. He had booked another larger capacity venue, and they cancelled at the last minute, and Travis said, "DG 717, I need some of your magic," and hosted us tonight.

So, we are very grateful. We are -- we heard that there are not too many people at the door waiting for a piece of that cake or pie that they won't be able to eat tonight, but you know, they can watch the livestream on world crypto network. So, without further ado, if you need anything from DG 717, you can find us on the internet, and we're so glad you could be part of this speculative future.

(Applause.)

TRAVIS: Thank you. I just want to go ahead and invite up Tom. Thomas Hunt, he is of Nat Bitcoins. He'll be interviewing our speaker today, and I'll go

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How many of you own -- how many of you do not own cryptocurrency? Raise your hand if you do not own cryptocurrency. Leo, do you own cryptocurrency? Okay, so that's, like five people. Okay, that's fascinating. So, you are, like, increasingly rare. Maybe by the end of the night you will be, like, extinct.

(Laughter.)

MR. HALL: How many of you own Ethereum cards? Okay. We (inaudible) that road too. So, let's get a round of applause for the people who've organized this tonight. Who, you know --

(Applause.)

MR. HALL: (Inaudible.) I've been saying some of you might not get out of the house tonight if it wasn't for this, so --

(Laughter.)

MR. HALL: -- it's good talking to you guys. So, this is digital garage 717. DG 7/17. Digital garage is a 23-year old internet investment incubation company in Japan. Basically, they saw the giant internet coming, and they said we can make a better society out of this. Let's experiment.

And for 23 years, they've been experimenting. They're (inaudible) fruitful enough that they said, "Let's buy a building," and they bought this building,

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ahead and introduce him. Tom.

MR. HUNT: Thank you. Does it work? All right. Thanks so much, I get my own microphone, and it works today. Oh, this is a much better start than last time. So, today we're very excited to be joined by the CEO of Kik, Ted Livingston. Come on, Ted.

(Applause.)

MR. HUNT: You might have to switch it on, and then talk directly into the top.

MR. LIVINGSTON: All right, so this is working. Okay, here we go.

MR. HUNT: All right. So, I just wanted to start with some background questions. When did you first hear about Bitcoin, and what did you do when you learned about Bitcoin?

MR. LIVINGSTON: That is a good question. So, I actually first learned about Bitcoin back in 2011, and --

MR. HUNT: That's pretty early for you to still to be sitting here working a job.

(Laughter.)

MR. LIVINGSTON: I mean, if it would crash, (inaudible) -- and when we were (inaudible) Bitcoin at Kik, I think the thing that got us really excited, like, back then, was we realized that for the first time ever,

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1 you could use to block chain to guarantee the scarcity of
2 a digital asset. So, you could have something as a
3 digital asset that was really easy to move around, but
4 also a scarcity like a physical asset, like once you
5 created it, there would never be more.

6 MR. HUNT: That was definitely one of my first
7 ideas with Bitcoin was, oh, you're going to put your
8 money in there, I'll make a copy of your money, and then
9 I'll spend that. That's great for me. I can make as
10 many copies as I want.

11 MR. LIVINGSTON: So, I never thought that out.

12 MR. HUNT: That was not that way.

13 MR. LIVINGSTON: Then it wouldn't work. It
14 wouldn't do anything.

15 MR. HUNT: It wouldn't work. It wouldn't work.
16 They've already been spent. So, after you heard about
17 the -- right now, just a little background on the Kik
18 app. I did some reading today, and it's actually a
19 pretty impressive history. It started out as a music
20 player for the Blackberry, of all things.

21 MR. LIVINGSTON: That's how old we are.
22 (Laughter.)

23 MR. HUNT: Sorry to let the word out there, but
24 yes, some of us have carried Blackberries in the past, so
25 it's not that boring to us. We have big fans of that

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1 really excited about that.

2 I felt Blackberry was the greatest thing ever.

3 I was there when the iPhone was first announced at
4 Blackberry, and I looked at my Blackberry, and I'm like,
5 man, I love this device for so many things, but the music
6 just sucks. Like, why do I have to carry and iPod and a
7 Blackberry, but my other friends can carry just an
8 iPhone, which at the time also really sucked.

9 MR. HUNT: The headphone jack was recessed.
10 You had to get an adapter for the first one, is that
11 right?

12 MR. LIVINGSTON: Oh, yeah. It was, like -- it
13 wasn't even 3G. Like --

14 MR. HUNT: No. No --

15 MR. LIVINGSTON: -- (inaudible) the second one
16 the iPhone 3G. I'm like, why wouldn't you just make the
17 first one 3G?

18 MR. HUNT: They were in a hurry. It was a real
19 hurry.

20 MR. LIVINGSTON: They were in a hurry, but
21 actually -- so, the first iPhone wasn't sold in Canada.
22 It was only sold in the US from AT&T. I actually went to
23 the US to get one, and we had to, like, do this thing
24 where you had to get a specific serial number. So, I had
25 to go through a few, like, nope, I buy it, open it, wrong

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1 keyboard, so --

2 MR. LIVINGSTON: I still maintain that a
3 keyboard on the backside would be awesome. We call it
4 the Blackberry Flip, but they're not -- they're not going
5 for that.

6 MR. HUNT: No. I think it's all just flat
7 phones that they stack right up now. So, making sure
8 they stack evenly. But after your music app, you then
9 became a messaging app, because you were upset that the
10 Blackberry messaging system wasn't a multi-platform
11 system. Maybe one of their big fails. A lot of business
12 people really loved the BBM system, and they were shocked
13 when they wouldn't bring it to iOS and other platforms.
14 So, what did you guys do then?

15 MR. LIVINGSTON: Yeah. So, when I started Kik
16 back in January of 2009 -- if you can believe that, eight
17 and a half years ago -- and I actually -- I went to
18 University of Waterloo, which is this college right where
19 Blackberry started.

20 I spent two years as an intern at Blackberry,
21 and the cool thing is we all got smart phones -- me and
22 all my friends, because they had over 2,000 interns every
23 couple of months, believe it or not. Largest internship
24 program in the world. Me and all my friends lived in
25 this mobile first world before anybody else, and so I got

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1 serial number, return it, pay the restocking fee, open
2 the second one, and the second one I got it, and I could
3 unlock.

4 MR. HUNT: You had to have a special serial
5 number to get it to work in Canada.

6 MR. LIVINGSTON: Yeah.

7 MR. HUNT: Yeah.

8 MR. LIVINGSTON: It had to be a specific one,
9 or it wouldn't unlock. So, it was basically -- we looked
10 at the iPhone, and we're like, hey, the music is great
11 there, and the phone is great.

12 On Blackberry, we had to -- at the time, the
13 phone was great, but the music sucked. Like, let's build
14 a better music app for Blackberry, and the idea that --
15 you know, today we call it, like, Spotify for Blackberry,
16 but back then we called it iTunes with free, legal music
17 sharing.

18 (Laughter.)

19 MR. LIVINGSTON: And we started on Blackberry
20 with this idea that, hey, wouldn't it be great if you
21 could get all this music on your phone? You could then
22 take it to your computer, but you could also share it
23 with your friends. And we were originally planning to do
24 that through Blackberry Messenger, and Blackberry's,
25 like, no, we're not going to take it to iPhone, and you

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1 know, iPhone started to take off.

2 We're like, well, if you don't take on iPhone,
3 like, how are we going to do our chat thing, because
4 we're going to take our music app to iPhone? And they're
5 like, well, you should just build (inaudible) yourself,
6 and we did that, and in 2010, our chat app took off from
7 zero to a million users in 15 days. A million to 2
8 million users in seven days.

9 Fastest growing thing in known human history at
10 the time. My job was to, like, go get the McDonald's at
11 3:00 a.m., and that's basically all I did, and it's sort
12 of, like, give people, like, shoulder rubs, "Come on, we
13 can do this. We can do this." It was like --

14 MR. HUNT: (Inaudible.)

15 MR. LIVINGSTON: -- the (inaudible) server's
16 down, (inaudible) server's --

17 MR. HUNT: Yeah (inaudible) --

18 MR. LIVINGSTON: -- crashing, and get it back
19 up. "Come on. Come on. We can do this." But yeah,
20 that's sort of where it all started.

21 MR. HUNT: Well, that's amazing, and then you
22 heard about Bitcoin in 2011, and a few years later, you
23 launched Kik Points. Now, what was Kik Points about?

24 MR. LIVINGSTON: Yeah. So, the thing that got
25 us excited about Bitcoin was it presented what we felt

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1 MR. LIVINGSTON: Now, this was back in 2011.
2 People thought this was, like, a crazy idea. We didn't
3 tell very many people, because we're like, we didn't want
4 them to think -- I didn't want them to think I was
5 stealing their secret.

6 MR. HUNT: Yeah.

7 MR. LIVINGSTON: So, we said, "Okay, couldn't
8 we actually build an economy inside of messenger?" And
9 so, we launched Kik Points in 2014, and Kik Points was
10 not a cryptocurrency, but a digital currency inside of
11 Kik, and the key thing with Kik Points was there was no
12 way to buy them.

13 You know, you can't like, you know, using a
14 purchase or your credit card to buy some Kik points. The
15 only way you could get them was by earning them. And so,
16 initially, it started very simple. There was one way to
17 earn them, watch ads, there was one way to spend them,
18 which was buy smileys, but on top of that, we felt -- we
19 tried to figure out if we could build this economy.

20 So, more and more ways to earn, and more and
21 more ways to spend, and by doing that, we created a
22 transaction block three times bigger than Bitcoin's
23 global transaction volume at the time. Sometimes it got
24 up to, like, 10 -- 10 times plus, and so that's where we
25 realized, like, this just might work.

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1 was, like, an entirely new business model. You know,
2 before, you built a consumer app, and you, you know, get
3 all these consumers to come to your app, and then you
4 have one of two options.

5 Option number one, you can sell their attention
6 to advertisers, or option number two is you can try to
7 sell them physical or virtual goods, and we realized that
8 with, like, Bitcoin and the block chain, their might be a
9 third option, which is build an economy inside of Kik,
10 get people providing value to each other, and facilitate
11 that with the cryptocurrency such that if you have your
12 own cryptocurrency, the supply stayed the same -- there's
13 only ever going to be so much of it -- but if demand went
14 up, then the price of the cryptocurrency went up.

15 And so, if we could take some of that
16 cryptocurrency in the beginning, and set it aside for
17 ourselves, we could fundamentally create a new way to
18 monetize a consumer app.

19 Now, it's not only showing people ads, now it's
20 not just selling them physical and virtual goods, now
21 it's building an economy. Just trying to, like, bring
22 people together, and provide value to each other, and
23 that alone is a way to make a lot of money. That was
24 amazing to us.

25 MR. HUNT: Yeah.

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1 So, it was still a crazy idea. It's like
2 when -- because Kik, you know, we raised, like, \$120
3 million, and our last valuation was a billion dollars
4 from PENSEA (phonetic) and so I knew that if I go to our
5 investors, I'm like, "Hey, hey, guys, guys, new idea,"
6 you know?

7 (Laughter.)

8 MR. LIVINGSTON: We're not going to sell ads,
9 we're not going to sell stuff, we're going to launch an
10 economy.

11 (Laughter.)

12 MR. HUNT: I'm sure they're going to love that.

13 MR. LIVINGSTON: It might not go over so well.
14 So, it did take some time to get -- to get the data to
15 convince ourselves that this could work, and then it took
16 some time to convince our investors, and the key thing
17 that really helped with that is one of our investors is
18 Fred Wilson, and he was in ventures for -- those in the
19 know, you know, early investor in Coinbid. You know,
20 been in the block chain sector forever -- a very long
21 time, and he invested in Kik and joined the board of Kik
22 in early 2011.

23 And so, I didn't even tell Fred about this idea
24 until 18 months ago, because we were looking at the
25 competitive pressure of these huge companies making it so

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1 difficult for companies like Kik to monetize, so
2 difficult to compete, that I was like, okay, we need a
3 different way to compete, and we need a different way to
4 market us.

5 MR. HUNT: Well, and so many of these companies
6 start out with an open API, and then as they become more
7 popular, they change the open API, and everything goes
8 away. I've seen all these apps from Twitter disappear,
9 all these apps for Facebook disappear as they tighten the
10 ecosystem. So, you guys wanted to do something different
11 than that, right?

12 MR. LIVINGSTON: Well, in advertising --
13 advertising as a model forces them to do that. You know,
14 they need to control the eyeballs, they need to control
15 the inventory.

16 So, the idea of an open platform where other
17 people are monetizing their eyeballs is, like, well, we
18 can't let people do that. Those are our eyeballs.
19 That's our money. And so, that's like, what we loved
20 about a cryptocurrency is it was a -- it was a new way to
21 monetize.

22 Now, it wasn't a way of controlling eyeballs.
23 Now, it was just letting people -- more and more people
24 earning and spending in more and more places in more and
25 more ways, and the more we did that, the better it would

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1 be for users, the better it would be for developers, and
2 the better it would be for us.

3 So, like, the coolest thing about it is like we
4 would become completely aligned with everybody in our
5 ecosystem. They'd be like -- users would be, like, hey,
6 the more places I can earn value, the better it is for
7 me. The more places I can spend value, the better it is
8 for me. The developers would say, hey, the more places
9 (inaudible) can spend -- the (inaudible) that I have --
10 cryptocurrency that I have becomes more valuable.

11 And for Kik, you know, we're setting, again,
12 30% aside for ourselves. The beginning, hey, the more
13 valuable this becomes, the more it gets used -- even if
14 it's not even in Kik over time.

15 Even if there's competing messengers maybe one
16 day, if they're -- those are places that you can earn and
17 spend Kik, and more and more people are earning and
18 spending in more and more ways, like, the value's going
19 to go up, the value of our 30%'s going to go up. That'd
20 be great.

21 And so, for the first time ever -- because we
22 always loved the idea that, you know, chat would become
23 this big platform, but one day we could just open it all
24 up, and sort of walk away, but now it allows you to
25 create something that's both open and valuable in a way

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1 that was never possible before.

2 MR. HUNT: That sounds really amazing. People
3 would be able to spend these tokens anywhere, they could
4 go to other systems. And so, you came up with the idea
5 to make Kin, which is named after Kinship, like family,
6 right? And you're going to have a new -- an actual coin
7 this time, not the points where they were internal in
8 maybe just a database --

9 MR. LIVINGSTON: Yes.

10 MR. HUNT: -- this'll be an actual blockchain
11 based coin? What's it going to be?

12 MR. LIVINGSTON: Yeah, so it's going to be an
13 (inaudible) token, and so the reason why -- like, we
14 could've taken Kik Points and just put that on the
15 blockchain, and right away, it would become one of the
16 most used, if not the most used cryptocurrency in the
17 world --

18 MR. HUNT: Mm-hmm.

19 MR. LIVINGSTON: -- with millions and millions
20 of mainstream consumers earning and spending this
21 cryptocurrency.

22 MR. HUNT: Mm-hmm.

23 MR. LIVINGSTON: But what we realized was, wait
24 a second, if we could do that, this cryptocurrency could
25 be pretty valuable, and wait, what if we took a big chunk

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1 of that value, and created basically an incentive
2 mechanism for other developers to join us in building out
3 a much bigger ecosystem beyond Kik. And that was, like,
4 a critical insight, because we -- you know, Kik Points
5 was its own thing.

6 That would be cool, but wouldn't it be even
7 cooler is if any developer could join, and the degree to
8 which they keep people earning and spending in the same
9 cryptocurrency inside their map -- inside their
10 community, they would share in the economic upside along
11 with us.

12 Because you know, you have all these different
13 people are trying to, you know, build different apps, and
14 then of course they build their own cryptocurrency, or
15 they could adopt our cryptocurrency, and we think to
16 build an alternative ecosystem of digital services, it
17 would be better if we could find a way to make it in
18 everybody's best economic interest to all work together.

19 And so, that's why we call it Kin, and that's
20 why we've set 60% of all Kin aside for the Kin
21 Foundation, which will operate something we call the Kin
22 Reward Engine, and every day, this reward engine will
23 give away a certain amount of Kin to all the developers
24 in the ecosystem who help us grow it with us.

25 And the coolest thing about it is, you know,

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1 the Kin Reward Engine gives away Kin every day. And so,
2 as the value of Kin goes up, the value of this daily
3 reward also goes up, you know, through, like, the
4 blockchain -- blockchain mining reward, but instead of
5 earning or mining the Kik, it's for building the
6 ecosystem of services.

7 So, more developers means more places to earn
8 and spend, means more demand for the currency, means more
9 valuable currency, means a bigger daily reward, means
10 more developers.

11 And so, this is the exciting thing for us for
12 Kin versus Bitcoins is, yeah, we're going to put in --
13 just like Kik, you know, will become super valuable on
14 day one, we think. The second is, it becomes this tool
15 to economically align a large group of developers to all
16 work together towards a common goal.

17 MR. HUNT: So, it sounds -- it sounds a lot
18 like Steam, but instead of monetizing content, you're
19 monetizing developers. So, walk me through how it would
20 work. If I was a developer, and I wrote a chatbot, the
21 users could donate Kin to me, or they could pay Kin to
22 use my chatbot?

23 MR. LIVINGSTON: So, this is the beautiful
24 thing, okay? Friendly aside, it's what I do. So, with
25 cryptocurrency, your goal is no longer to sell stuff.

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1 reward engine.

2 MR. HUNT: So, the rewards would actually come
3 from the Kin Foundation, not so much from the users or
4 from the developers.

5 MR. LIVINGSTON: Yeah. That's why, you know,
6 we're not doing Bitcoin, or Ethereum, or any of those, is
7 because, you know, we don't own 60% of Bitcoin, so we
8 can't give away 60% of Bitcoin, but off the bat, you
9 know, by creating Kin, we can set the initial
10 application. And so we can say, you know, 60% of all Kin
11 is going to go to developers.

12 MR. HUNT: Well, this sounds great. Where can
13 people learn more about this? When's the ICO happening?

14 MR. LIVINGSTON: You sound like an ad.

15 (Laughter.)

16 MR. HUNT: To learn more about Kik Points
17 (inaudible.)

18 MR. LIVINGSTON: Well, I'm not selling it to
19 you. What do you -- be critical with me. What do you --
20 what do you think?

21 MR. HUNT: Well, my big critical thing would
22 just be why not use Bitcoin, but I think you pretty much
23 handled, you give 60% --

24 (Laughter.)

25 MR. LIVINGSTON: That's all? That's all

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1 Your goal is to build an economy. Your goal is to
2 facilitate value exchange between consumers.

3 So, consumers are coming together, they have
4 value. Maybe it's -- you know, people host great
5 livestreams, maybe people host their group chats. Maybe
6 people bring in -- bring fashion advice. You know,
7 people have value to offer, and so all you're trying to
8 do is bring those big people together, and let them
9 facilitate the exchange of that value between each other.

10 And so, that's a fundamentally new way for us
11 to monetize inside of Kik, but that is also the way we
12 want -- what we want other developers in this ecosystem
13 to do. Don't try to, like, build a bot or build an app
14 to sell people stuff in Kik. We could, right?

15 MR. HUNT: Yeah.

16 MR. LIVINGSTON: Yeah, sure, you know, you sell
17 apps for Kik, you can do that, but what would be cooler
18 is if you build a community -- an app around fashion
19 device, or around, you know, fantasy sports geeks, or
20 whatever it is, and all you are is you're just trying to
21 bring people together, and to exchange value through this
22 cryptocurrency, and to the degree you're doing that,
23 you're growing the overall economy for Kin, which has
24 grown the value of Kin, and the degree to which you grow
25 the value, we will give you that value back through the

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1 (inaudible) --

2 MR. HUNT: I am entranced with the foundation
3 idea. I think that sounds solid. What about the -- I've
4 read that you're going to use Ethereum as a settlement
5 layer. How is that going to work?

6 MR. LIVINGSTON: Yeah. So, it's going to be an
7 IRC-20 (phonetic) token, and that is one of the
8 challenges of this project is the scalability of the
9 Ethereum network, and frankly at this point, the
10 stability of the -- of the Ethereum network. You know,
11 we're starting there. A lot of the tools are built
12 around that, and it makes it really easy to get started,
13 and to scale it initially, we are going to go
14 onchain/offchain.

15 So, we'll do -- you know, we'll write back the
16 transactions to the Ethereum blockchain, but we'll do
17 most of the transactions in our lender similar to Kik
18 Coins, and this is not ideal. Like, we don't want to do
19 this. But for example --

20 MR. HUNT: Probably will have to do
21 microtransactions --

22 MR. LIVINGSTON: Let's us do microtransactions
23 and all this, but it -- and the reason we have to -- so,
24 like, one of our investors did a calculation, like, if we
25 just wanted to give five Kin to each of our users for

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1 free, just as a starting point, it would take up the
2 entire capacity of the entire Ethereum network for 23
3 days. No transacting, no earning, no spending, just hey,
4 money for everybody. It's like, boom, it's done, it's
5 not coming back.

6 (Laughter.)

7 MR. LIVINGSTON: So --

8 MR. HUNT: That doesn't sound good for the
9 price.

10 (Laughter.)

11 MR. LIVINGSTON: So, the -- in the short term,
12 you know, we had to take one of these transactions off
13 chain, but in the long term, you know, we're really
14 looking for what we call blockchain 3.0. We look at
15 Bitcoin as blockchain 1.0. For the first time ever, you
16 can guarantee scarcity of an individual asset. We look
17 at Ethereum as blockchain 2.0. For the first time ever,
18 you can add logic to that, and now we're looking for
19 blockchain 3.0.

20 You can have those two things, plus scale, and
21 that may be Ethereum, you know, if (inaudible) that might
22 be a new blockchain that we partner with, or we actually
23 might take a crack at building our own blockchain. But
24 this is, I think -- you know, I feel like this is the
25 internet, but we're at, like, the dial up and modem

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1 stage. Like, we need, like, cable modems here, DSL, or
2 something. So, we're going to spend a lot of time on
3 that as well.

4 MR. HUNT: Sounds interesting. Do we have any
5 questions from the audience? Let's see, we have a
6 microphone. Travis, where did you go?

7 TRAVIS: Yeah, I got a microphone here.

8 MR. HUNT: All right.

9 TRAVIS: And (inaudible.) So, let's start
10 right here.

11 MR. HUNT: Don't worry, the audience questions
12 are always very, very hard.

13 MR. LIVINGSTON: No, I like hard questions,
14 actually. (Inaudible) I don't know how you (inaudible)
15 you got a look on your face like you're going (inaudible)
16 me.

17 (Laughter.)

18 AUDIENCE MEMBER: So, what's the control over
19 the kinds of goods and/or services that are going to be
20 exchanged will the platform be able to exercise? Will it
21 be a sort of decentralized marketplace, or are we going
22 to see some sort of tracking of -- sort of its own
23 (inaudible)?

24 MR. LIVINGSTON: So, this is a question we
25 think a lot about, which is on one side, we want this to

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1 be a positive thing for society, but on the other side,
2 we want there to be as much freedom as possible. And
3 actually, this is something we dealt a lot -- just within
4 Kik itself.

5 Like, the reason people really like Kik is it's
6 a community. It's a place to come hang out with your
7 friends and make new friends, so we do want the same
8 thing.

9 At the end of the day, this will be a
10 cryptocurrency, which means once you've have it, you can
11 drill them, you can do whatever you want with it, but
12 inside Kik, we are definitely going to regulate how it
13 gets used to make sure it's only used for safe and
14 productive things.

15 You know, I think there's a lot of dark things
16 you can use this stuff for, and we don't want that to be
17 inside Kik, so we will be able to completely regulate how
18 this works inside of Kik.

19 Outside of Kik, but inside of the Kik
20 ecosystem, we will be able to strongly encourage safe and
21 productive behaviors by saying, hey, if you want some of
22 this daily reward payment today, these are the acceptable
23 types of services.

24 And so, you can build whatever you want, but if
25 it's, you know, one of these blacklisted types of

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1 services, there's no economic incentive for you to do so.
2 So, I think between those things, inside Kik, explicit
3 control, outside of Kik but within the overall ecosystem,
4 sort of implicit control, we'll be able to build
5 something that's, I think, like, you know, positive and
6 productive for society, which is definitely the goal.

7 AUDIENCE MEMBER: Can you talk a bit more about
8 what (inaudible) is going to look like after the 60% of
9 the coins that Kik is going -- it's going to end -- would
10 you try to assume that -- how -- how would you
11 incentivize developers to continue building software in
12 your ecosystem?

13 MR. LIVINGSTON: So, the way the 60% will get
14 distributed is it will get paid out 20% per year on a
15 declining basis. So, the first year, 20% of whatever's
16 left, you know, 20% of 60% is 12%, gets paid. Then you
17 know, now there's only 48% left, so 20% of that, 9.6%,
18 gets paid out.

19 So, there will always be something getting paid
20 out, less and less, but with higher and higher prices.
21 But I think at -- like, at the end of day -- and so, what
22 that means is there will be value paid out for a very
23 long time, and at some point it will get small enough to
24 negligible in, you know, 10 or 20 years in the future.

25 At that point, the answer is we don't know, but

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1 I think where we will be at that point is we'll have this
2 new global microtransaction financial system, and the
3 cool thing about it is, no matter what country you're in,
4 and no matter how much value you are providing as a
5 business and as a consumer, you can get compensated for
6 that.

7 So, if, like, (inaudible) in India hosts a
8 great group chat, such that he created one penny of
9 financial value to this ecosystem, you know, today, we're
10 like, okay, Billy in India, get his address, we'll write
11 him a check for one penny. We'll mail it to him.

12 It's like, that's never going to work, but now
13 with the cryptocurrency, we can actually do that, and I
14 think that's the ultimate goal for this project, is to
15 create a financial system where no matter where you are,
16 and no matter how much value you provide, you can get
17 compensated for that.

18 And so at that point, you know, we'll see what
19 happens when it comes to it, but we think there's a lot
20 of money to be made between today and that point.

21 AUDIENCE MEMBER: Can you share a little bit
22 about your user demographics? Sort of age, gender, and
23 geographic location? With -- like, with a lot of this
24 stuff, my first thing is to check with my 14-year-old
25 son, and validate whether this has wheels or not, and he

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1 those use cases will develop? I mean, is this
2 essentially going to be, like, Bing Bong within your app,
3 or is there actually going to be a market place that
4 develops where people will use Kin as the currency within
5 that marketplace, or several marketplaces?

6 MR. LIVINGSTON: Yeah. We don't think of it as
7 a competitor to Venmo. Like, we think in the physical
8 world, physical currencies work really well, and we think
9 virtual currencies work really poorly for the physical
10 world.

11 You know, I get my paycheck in US dollars, I
12 convert to Bitcoin, I buy a burrito, they convert it back
13 to US dollars to pay their employees, and in the
14 meantime, you know, the volatility swung like this, and
15 so not only have I wasted a bunch of time converting my
16 money back and forth, but I've also, like, taken a bunch
17 of risk.

18 So, we don't -- we don't do this. Like, we
19 take physical currency through (inaudible), Venmo, you
20 know, Visa, all that stuff. Where we think this provides
21 a unique role is in virtual communities for virtual
22 value.

23 So, you know, creating a great sticker, buying
24 a great sticker, posting a great group chat, joining a
25 great group chat, doing a great livestream, joining a

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1 was unfamiliar. So, I -- you know, it's a data point of
2 one, so it's not a fair question, but -- you know --

3 MR. LIVINGSTON: Yeah. So, Kik is -- we have
4 15 million monthly active users. You know, if you guys
5 go to the app store, we have, like, a couple hundred free
6 apps. The majority of our users in the US. The reason
7 it's popular on Kik is it is a chat community. So, it's
8 not, like, a chat utility, where, "Hey, where are you?"

9 It's a place (inaudible) it's a place like,
10 come hang out with your friends, or we can be friends,
11 because the username base, we have complete control of
12 your identity on Kik, versus, you know, having to
13 (inaudible) your phone or your social profile.

14 So, what it means is it's, like, great for
15 connecting across communities. You probably have read on
16 the internet, "Hey, what's your Kik?" And you're like,
17 "I don't know. What is Kik?" Well, they're referring to
18 the messenger, and Kik is -- there was just a study where
19 it says the number five most searched for term in the app
20 store overall, which I thought was pretty cool. So,
21 yeah, we skew younger, roughly equal male/female. We
22 also skew less affluent, more urban.

23 AUDIENCE MEMBER: So, Ted, I appreciate your
24 talk. Help me out specifically with the kinds of use
25 cases that you really think this is going to develop --

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1 great livestream, building a (inaudible) playing very
2 well.

3 Whatever that is -- and that's, like, the
4 really cool thing for us, you know, skewing younger, and
5 skewing less affluent, and what we heard from our users
6 is with Kik Points it's, like, you know, now for the
7 first time ever, I can provide -- like, I can get
8 compensated for the value I provided to my clients.
9 Basically, we give millions of people their first job,
10 and so, we think that's really cool.

11 Like, all these people have a society and an
12 economy where it's getting harder to get jobs, and wealth
13 is becoming more centralized and all this stuff, we
14 actually give them a place where they can earn value, and
15 provide value to society and to the ecosystem, but we
16 think that they'll all start producing digital goods,
17 where everything is denominated in this virtual
18 cryptocurrency.

19 AUDIENCE MEMBER: Yeah, I am. So, this sounds
20 like a really interesting concept to couple
21 cryptocurrency with -- I'm over in the jack line.

22 MR. HUNT: Oh, okay. All right.

23 AUDIENCE MEMBER: It's been done before with
24 something called Gems, or Get Gems, and I'm wondering if
25 you're aware of it, and it started up fairly promising.

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1 They had a -- they had a coin, and it eventually got
 2 delisted. It was funded to some extent, and then it got,
 3 I think, folded into Telegram or something.
 4 So, I'm wondering if you're aware of it, and
 5 are there any takeaways from that? Any lessons learned?
 6 Or, how will approach it a little differently? I know
 7 that your Kik points idea is kind of a concept ahead of
 8 the cryptocurrency integration, which could be a big part
 9 of that, but if you can comment on that a little bit?
 10 MR. LIVINGSTON: Yeah. So, we actually know
 11 those guys decently well. We do have an office -- one of
 12 our offices is in Tele Viv, where I think that project
 13 was based.
 14 So, we actually do know those guys pretty well.
 15 We've worked with them to some degree as well. I think
 16 the difference with Get Gems is they were trying to use a
 17 cryptocurrency to create a financial incentive to grow
 18 the userbase.
 19 So, it had -- like, it almost was like, hey,
 20 your friends can join, and then you get some
 21 cryptocurrency, and then they join, and they tell their
 22 friends to join, and they get some cryptocurrency, and
 23 like, this would be the reason people would come get Get
 24 Gems.
 25 That's, like, not our plan with Kik and with

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1 Kin. We think that at the end of the day, the idea that
 2 you can get compensated for the value you bring to the
 3 network is interesting, but it isn't why you would join.
 4 You would join because you want to use Kik. You want to
 5 join the chat community, you know, you want to control
 6 your identity.
 7 And so, we already have millions and millions
 8 of people that use Kik. We think the biggest value of
 9 this to the consumer at the end of the day is not so much
 10 that they can get compensated for the value they bring,
 11 even though that is cool -- like, we do like that, but it
 12 is more that we can provide a monetization model for
 13 developers, because I think, you know with the
 14 centralization of these digital services to a few big
 15 companies and a few big bland services, you know, we're
 16 seeing less and less innovation in the mobile space.
 17 I mean, when's the last time you discovered a
 18 cool new app? You know, it's like -- you're like, I
 19 don't know, SnapChat in like, 2012? Like -- and the
 20 reason for that is these big companies have made it very
 21 difficult to find a sustainable business model, you know?
 22 Only they have the scale to effectively monetize through
 23 advertising, so they do that, and then they give
 24 everything else away for free.
 25 So, as an independent developer, you're saying,

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1 so, I don't have your scale to do that, and you've taught
 2 everybody that everything should be free, so I can't sell
 3 anything. So, how do I make money? Your kids are like,
 4 "Go work at Facebook," like --
 5 (Laughter.)
 6 MR. LIVINGSTON: -- and like -- and so, it's
 7 leading to this future where we're, like, there's going
 8 to be less and less innovation, less and less choice, and
 9 it's going to get us to this future where a few big
 10 companies control all of the digital services, and there
 11 will be very few of them, and we think that less
 12 innovation will just be shitty for consumers.
 13 We think there should be a bunch of different
 14 services for every individual interest, every individual
 15 niche. Like, not matter what you're interested in, you
 16 can -- you can find an app or developer who's catering
 17 their digital service just for you, but the only way that
 18 that can happen is if those developers can make a living.
 19 And so, I think that's, like, the thing we're
 20 trying to do with Kin is hey, all you developers out
 21 there, we're not going to be able to take on these big
 22 companies directly, right? They have just too much
 23 money, too many developers. They know what they're
 24 doing.
 25 They are very smart people, but if each

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1 individual niche, and each individual interest -- if each
 2 of us could build a better digital service for that
 3 specific interest, and that specific niche than these big
 4 companies could provide with their big, bland service
 5 that's trying to serve everyone. If only there was a way
 6 to make a living in doing so.
 7 And so, that's really what the Kin Rewards
 8 Program is trying to do, is like, bring together
 9 thousands, and at some point tens of thousands of
 10 developer to build that communal alternative ecosystem of
 11 digital services, and the ecosystems that consumers own
 12 their identity, own their data, and can easily and
 13 frictionlessly but also securely move between all these
 14 digital services, (inaudible) developers get an open, and
 15 fair, and lucrative platform to build on.
 16 AUDIENCE MEMBER: I have two questions for you,
 17 actually. First of all, you said that cryptocurrencies
 18 were the first scarce digital asset, but Amazon credits
 19 existed before cryptocurrencies, and isn't there a finite
 20 amount of Amazon credit, and for that matter, all the
 21 bank balances, as well as for that matter (inaudible)?
 22 MR. LIVINGSTON: Everyone else is like, "Nope.
 23 No." So, what I said is a cryptocurrency for the first
 24 time ever can guarantee the scarcity of a digital asset.
 25 You know, we ran Kik Coins. Are there only so many Kik

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1 Coins?

2 No, we can create more whenever we want, and
3 you're just going to have to trust us that we don't
4 create too many. And so, I think, you know, you'll get
5 Amazon credits. They create -- they create more all the
6 time? Do you think they have, like, an internal monitor,
7 and they're like, "We're running low on the Amazon
8 credits. What will we do?"

9 AUDIENCE MEMBER: But will you have an internal
10 ledger for Kin to decide how much Kin is created?

11 MR. LIVINGSTON: So, that's the beautiful thing
12 with the blockchain, right? We know with Bitcoin for
13 example, there's only going to ever be 22 million
14 Bitcoins, or whatever it is --

15 AUDIENCE MEMBER: 21 million.

16 MR. LIVINGSTON: 21 million, thank you, I
17 appreciate that.

18 (Laughter.)

19 MR. LIVINGSTON: Sorry, I was off by so much.

20 (Laughter.)

21 MR. LIVINGSTON: And with that -- so, that's
22 the beautiful thing, is like, as a developer, as anybody
23 in the US, you can look at Bitcoin and say, so, there's
24 only going to ever be 21 million Bitcoins.

25 So, the supply is fixed, so the demand for

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1 down, but I think what we can guarantee is we are all in
2 on this. You know, this is -- this is something we've
3 been working to -- towards for a long time, but this is
4 something that is in our financial best interest, because
5 of the 30%, but actually, like, just to be honest, like,
6 this is something we have to do. We cannot compete with
7 Facebook.

8 We can -- everything we do, they copy it two
9 years later. They have way more developers, way more
10 scale, and that -- that for us was really the turning
11 point, is when we saw Snap Chat's TRAVIS, and we looked
12 at them, and we're like, wait, even Snap Chat is
13 struggling?

14 Like, this company has raised \$2.5 billion.
15 They have 2,000 employees. They had an amazing insight,
16 it's an amazing brand. They've done everything
17 perfectly, and even they are struggling to compete with
18 Facebook.

19 AUDIENCE MEMBER: So, there's nothing backing
20 the Kin token?

21 MR. LIVINGSTON: the only thing backing any
22 cryptocurrency is demand. Like, you know, why is Bitcoin
23 worth what it's worth? Why is Ether worth what it's
24 worth? It's because there is a fixed supply, and there
25 is so much demand. If demand goes down, then the price

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1 Bitcoin goes up, economics 101, supply stays the same,
2 demand goes up, price is going to go up. And therefore,
3 if I buy some today, if I think the demand is low,
4 because I think tomorrow the demand will be higher, I
5 will be able to sell at a higher price, and that's the
6 thing that was just never possible. Amazon credits -- is
7 the demand guaranteed to be the same? No, they'll make
8 more whenever they want.

9 AUDIENCE MEMBER: But nobody expects the value
10 of Amazon credits to go up. Everybody expects the value
11 of Amazon credits to always be pegged 1:1 with the
12 dollar.

13 MR. LIVINGSTON: Right, and I think it's, like,
14 different, like, I think Amazon credits is, like, a
15 different way to use US dollars, where this is, like, a
16 fundamentally different financial system.

17 AUDIENCE MEMBER: All right, that's all well
18 and good. My second question for you is, what will Kik
19 do in order to guarantee the value of Kin going forward?

20 MR. LIVINGSTON: So, we cannot guarantee the
21 value of Kin. You know, I think once you create a
22 cryptocurrency, it's on the exchanges, and the price of
23 it is set by market based on supply and demand.

24 And so, you know, even though the supply is
25 fixed, as the demand goes down, the price is going to go

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1 will go down. If demand goes up --

2 AUDIENCE MEMBER: Well, what would be --

3 MR. LIVINGSTON: -- the price will go also.

4 AUDIENCE MEMBER: -- the (inaudible) supply of
5 Kin?

6 MR. LIVINGSTON: Sorry?

7 AUDIENCE MEMBER: And what will be fixing the
8 supply of Kin?

9 MR. LIVINGSTON: The blockchain.

10 TRAVIS: We have another question right here.

11 AUDIENCE MEMBER: Hi, Ted, thanks for your
12 time. Just have a couple things. They -- what is the
13 (inaudible) of the ICO, and (inaudible) given a little
14 funding, what does ICO mean for the equity investors?

15 MR. LIVINGSTON: So, on the tax side, I don't
16 know.

17 (Laughter.)

18 MR. LIVINGSTON: Sorry. I don't know. You
19 know, I know, like this space is, like, evolving so
20 quickly, you know, our lawyers, our tax people, all these
21 people are like, "We're doing what?"

22 (Laughter.)

23 MR. LIVINGSTON: So, I'm not going to give
24 you -- I'm not going to give you tax advice. So, one
25 thing -- but in terms of, like, funding, you know, we

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1 have raised \$120 million from traditional investors, and
 2 the most recent investment we took is from Tenzin, you
 3 know, one of the most advanced messengers in the world.
 4 They invested \$50 million to privately fund the company.
 5 Those guys want a return, you know? We invested all this
 6 money, so you're just going to give this all away?

7 And so, I think this is what is cool about
 8 cryptocurrency is like, you can say, no, no, no, we're
 9 not -- yes, we want to give it all away, we want to open
 10 everything up.

11 We want to give up control, and build this
 12 open, decentralized ecosystem, but in doing so, we give
 13 Kin a better shot at succeeding, and by setting 30% aside
 14 for ourselves, like, you know, if Kin were as popular as
 15 Ether is today, that 30% would be worth \$9 billion.

16 That'd be pretty awesome. You know, we'd give
 17 some back to you guys. You know, you invest 50 million,
 18 we'll give you 500 million out of that \$9 billion. So,
 19 that's why it took some time -- it took some time, but
 20 you know, we said, listen, we need a new way to compete,
 21 we need a new way to monetize, and this is the best way,
 22 and we can make some money too if it works.

23 And so, you know, it did take some time, and
 24 maybe I can credit, like, Fred Wilson. If we didn't have
 25 him as an investor, this never would've happened. You

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1 know, I told him 18 months ago he said that's crazy, but
 2 like, let's think about it, and then six months ago, he
 3 said -- he sent me this email, and goes -- (inaudible)
 4 sent it to us. He's like, "It's time." You know? It's
 5 time, and I was like, yes.

6 (Laughter.)

7 MR. LIVINGSTON: Because -- because this is,
 8 like, what we've wanted to do since 2011, which was this
 9 crazy idea, and I knew that if we could get Fred onboard,
 10 we could convince the company, and we could convince the
 11 investors that this could work, but without Fred, we
 12 never would, because he was the cryptocurrency guy.

13 And so, that was really -- you know, that was
 14 back in January. You know, it's funny, like even back in
 15 January, like, these ICOs were like, not (inaudible)
 16 today, and now it's like, wow, your timing's perfect.
 17 It's like, we didn't plan on it, like -- but I think,
 18 like, that's the exciting thing, is like, we get to go
 19 for it here. So, we're really excited about it.

20 TRAVIS: I can take the next person right over
 21 there?

22 AUDIENCE MEMBER: Thank you very much,
 23 incredible talk. I actually had a question regarding
 24 spending Kik tokens, so -- Kin tokens, sorry. So,
 25 (inaudible) -- one of the main problems with spending

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1 cryptocurrency right now, like, if I want to buy some
 2 gummy bear or something at a convenience, is that -- I
 3 know if I hold onto it, it's going to go up in price. So,
 4 the guy who bought, like, a piece of pizza five years ago
 5 is now really regretting it.

6 MR. LIVINGSTON: True.

7 AUDIENCE MEMBER: If you predict that the Kin
 8 token is going to -- yeah --

9 MR. LIVINGSTON: (Inaudible.)

10 AUDIENCE MEMBER: Yeah, exactly, right? Like,
 11 nobody wants to -- if you predict that the Kin token is
 12 going to go up in price essentially because of the rise
 13 in demand, what incentive is there for developers to,
 14 like, give out these tokens, or like, spend tokens in the
 15 ecosystem, just because, you know, holding onto it is a
 16 better use of it.

17 MR. LIVINGSTON: So, this is obviously, like, a
 18 new space that's emerging, but I think our answer to that
 19 is -- our certain, like, insight was you know, with
 20 Bitcoin, when people are buying it, and you know it's
 21 going up, and it's so volatile, first of all, why would
 22 you buy it?

23 And second of all, why would -- why would you
 24 spend it? This is why Bitcoin -- is the only way to get
 25 it is to earn it. You know, you can't buy them. The

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1 only way you can use it is to spend it. You know, you
 2 can't sell it, okay?

3 And that was with Kik Coins, not with Kin. Kin
 4 will be on the exchange and it will be able to do all
 5 these things, but the reason -- the reason we felt that
 6 that was important is as a consumer, everything you're
 7 earning, and everything you're spending are denominated
 8 in a specific currency, then you don't really care what
 9 the exchange rate is, or to a much lesser degree.

10 So for example, does anybody in this room know
 11 what the exchange rate is between US dollars and Italian
 12 dollars? No. Nobody cares, because you're like, well, I
 13 don't do anything in Italian dollars. So, we think,
 14 like, for developers and for investors, yes, they will
 15 care.

16 You know, maybe the developer -- the Kin that
 17 they get rewarded in, they will hold on to them. And
 18 actually, that's one of the things, is like, you can
 19 become a shareholder, and you can share in an economic
 20 upside to the creation of this ecosystems, and for
 21 consumers, you know, these are just a bunch of
 22 marketplaces.

23 People are, you know, listing their Snickers at
 24 a certain price, and then buying them at a certain price,
 25 and listing (inaudible) at a certain price, and buying

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1 them at a certain price.

2 And so, the market will determine how valuable
3 this is. And so, it will sort of go up and down with the
4 quality within that economy. And so, the exchange rate
5 becomes much less important, and volatility becomes much
6 less impactful.

7 AUDIENCE MEMBER: Thanks. I really like what
8 you're saying about open systems, decentralized systems.
9 I think it is a great step forward moving in as, like, a
10 decentralized currency, but as far as I understand, Kik
11 is still a centralized messaging platform.

12 So as a developer, I'm just kind of wondering,
13 like, what guarantees do I have? Will stuff be shut
14 down? Do you have any plans to open that up to make it a
15 more decentralized platform? Or if not, how do you feel
16 about the other messaging apps that are kind of
17 decentralized that are coming up?

18 MR. LIVINGSTON: So, we -- so, we have said
19 that we are going to opensource Kik, as far the client
20 code, the server code, you'll be able to see that, but I
21 think at the end of the day, we're trying to do what
22 matters to consumers, and what matters to developers.
23 Consumers do not care, for the most part, that that token
24 will be decentralized.

25 They just don't, you know? And that's why we

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1 you know, Kik turn into Kin, Kin (inaudible) the Kin
2 Foundation, you know, they put Ted on the board, because
3 you know, we thought he was really smart or whatever.

4 Like, honestly, we're going to have influence
5 there, but our goal is to -- yes, we're going to start
6 with the employees to try and get this whole thing
7 running, but there are two things.

8 Well, really one thing is what is in our
9 economic interests over time? What is in our economic
10 interest over time is for this token to be used in as
11 many places as possible.

12 And so, what we are going to do with the Kin
13 Foundation is move to decentralize it, and to make it
14 completely autonomous as quickly as we can. Not right
15 away, because we don't want the DAO all over again, where
16 like, we thought it was right, but it wasn't, and you
17 know, the whole thing blew up. Too bad it's completely
18 autonomous and decentralized.

19 So, it's going to start as centralized and not
20 autonomous -- and independent as we can possibly make the
21 pledge that we could, but overtime, we'll move it to
22 be -- okay, it works, the reward engine's working, it's
23 not gameable, everything is running, and it's working, no
24 one's hacked it yet, or it's not being hacked.

25 Everybody agrees, like, now is the time for the

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1 have these huge, centralized entities. But like someone
2 says, but they're taking all of your data? And you're
3 like, I don't care man, my mom posts here. That's what I
4 got.

5 (Laughter.)

6 MR. LIVINGSTON: And so, for us, like, this
7 open and decentralized market of consumers -- you know,
8 even though it is in the long term, like, oh, but one
9 day, society will have less innovation, and less choice,
10 and less freedom, and they'll control the whole thing,
11 and it's like, yeah, but for now it's pretty good.

12 And so, this is -- this is -- this is
13 (inaudible) developers, (inaudible) how can we build an
14 ecosystems for developers that developers can trust, and
15 developers can make a lot of money is by trust -- trust
16 the other way ultimately at the end of the day.

17 And so, that's why, yes, Kik is a centralized
18 app run by a centralized company, but we are using Kik to
19 boost up the value of Kin, and you know, we're giving a
20 bunch of that Kin to this independent, not for profit
21 foundation, the Kin Foundation, okay?

22 Now, we are going to have a lot of influence
23 over that Kin foundation, at least initially, right?
24 We're not going to sit there and be like, "oh, no, no,
25 it's totally independent." Like, obviously it's like,

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1 autonomous use, we'll decentralize, and we'll
2 decentralize the identity system, decentralize the
3 transaction system, and then decentralize the reward
4 engine, and those being the three key pieces.

5 Per user, you hold those three, and then you
6 can move between any of these digital services, so that
7 one day, like, you know, it will be so awesome, you know,
8 like, yeah, this Kin thing, it's started in one service.

9 I can't remember which one it was, and everyone's like
10 yeah, I don't know, and it's like, you know, Kik has just
11 sort of been forgotten.

12 Like, it is in -- it is hopefully an important
13 player. We think it is important to have, like, a strong
14 anchor (inaudible) in this ecosystem, at least for the
15 foreseeable future, and so we do think Kik is very
16 important to that in the short to medium interim, but
17 over time, we're trying to create this, like, new, open
18 ecosystem where any developer can come in and innovate,
19 and as a consumer, you can move between any of them, try
20 them right away, you can easily bring your identity with
21 you, sort of earning in a frictionless but secure way
22 where you can -- so, that's -- that for us, would be
23 awesome, but at the end of the day, Kin is like accepted
24 everywhere, and we own 30% of it, like, fuck, that would
25 be cool.

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1 (Laughter.

2 MR. LIVINGSTON: So, that's what we're going to
3 try to do.

4 AUDIENCE MEMBER: So, I have a question
5 (inaudible) challenge a cryptographic or a cryptocurrency
6 concept that we kind of talked about. So, what digital
7 services do you envision users are going to exchange
8 most, like top three, because you talked about developers
9 adding value. What value are the users using, or
10 providing?

11 MR. LIVINGSTON: So, we think the things
12 that -- especially, like, young people, teens can do from
13 their phones, and what sort of skills and value they
14 have.

15 So, you know, we think creating great, like,
16 expressive content will be a good one. We think hosting
17 great places to hang out will be a great one, and we
18 think creating great experiences where you can go and get
19 with your friends.

20 So, you know, stickers, or group chats,
21 livestreams, games, all of those things, but over time, I
22 mean, you know, something about Kik is we have -- we have
23 this, like, history of innovation. We're the first chat
24 app to go out in 2010, first chat app to become a
25 platform in 2011, the first chat app to -- in the western

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1 for all of these different ideas.

2 We'll get users right away, because we're going
3 to promote the (inaudible) of all these bots, but then
4 once you have something, you can tell those bots, hey,
5 we've built an app, you should go get it.

6 And so that's where you no longer have to trust
7 Kik. You transition all of your users to your own app,
8 your own property, under your complete control. So, we
9 think a lot of the innovation will come from the
10 ecosystem, hopefully.

11 AUDIENCE MEMBER: So, it sounds like a lot of
12 the services that are provided by the users are similar
13 to (inaudible), and that's your question, Tom. It sounds
14 like it's pretty similar to it. I do like the concept of
15 users providing content, and creating groups, and getting
16 people onto the platform, and then them being paid out as
17 a result, but you're adding groups, and then, like the
18 messenger perspective of what Steam would -- Steam would
19 be.

20 MR. LIVINGSTON: Yeah. I think there's some
21 similarities. I think there's some differences.

22 AUDIENCE MEMBER: And then the challenge I want
23 to kind of throw out there -- because you used the
24 example, if everyone is using the Kin currency to
25 transact, and they're all in Kin currency, it doesn't

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1 world -- launch bots in 2014. We have been the first,
2 like, over, and over, and over again, and this is why
3 Tenzin invested in us. So, like, we see what's happening
4 (inaudible.) You know, we think it's either you guys or
5 Facebook are the ones.

6 AUDIENCE MEMBER: And I do love the idea. So,
7 if you had more -- (inaudible) so --

8 MR. LIVINGSTON: So, I was just going to say --
9 so, with out (inaudible) platform, which is our most
10 recent iteration. Like, first it was native apps, then
11 it was web apps, and now it's bots. I could talk bit
12 bots forever, but that's a story for another day, but
13 we've had over 100,000 bots built on the Kik platform.

14 So, I think that's -- we don't just have a lot
15 of consumers, and a lot of experience building for
16 consumers, but we also have a lot of experience with
17 developers, and building platforms for developers.

18 And so, I think that's really where we hope a
19 lot of the innovation comes from is, as a developer, you
20 know, you don't have to spend all this time building a
21 native app that nobody's going to deal with.

22 You don't have to try to learn how to build a
23 web app which nobody really knows how to build, but you
24 can build a bot that's really quick to build, really easy
25 to grow, and that can become this sort of testing ground

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1 matter what the exchange value is.

2 If we have a ton of currencies doing different
3 things, like, how they interact is going to be really
4 interesting, because I support -- see a future where
5 people hold onto currencies because they do see the value
6 going up, but then move onto a different currency, and
7 just fluctuations all over the world because -- and all
8 over the different currencies, because there are so many
9 of them. How can there be stability?

10 MR. LIVINGSTON: Well, I think -- so, there's
11 going to be done -- a bunch of different
12 cryptocurrencies, because there's a bunch of different
13 types of economies you can build. You can build an
14 economy around computing power, around cloud storage,
15 around, you know, stock trading algorithms, around
16 communities.

17 So, I think there will be a bunch of
18 cryptocurrencies and a bunch of economies, and that's,
19 like, the fundamentally new and exciting thing. You're
20 not building the -- you're building an economy, but I
21 think for Kik -- with Kin, what we're trying to say is,
22 like, okay, you're building a consumer application.

23 So, you're not building something for traders,
24 you're not building something for people on top
25 (inaudible) whatever, you're just building something,

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1 like, where consumers can go to hang out.

2 How can we set up Kin sure enough so that if
3 the roles were reversed, and somebody was approaching us
4 and saying, hey, we know you're thinking of building your
5 own cryptocurrency, so we've set up this other
6 cryptocurrency, and if we partner, not only do we think
7 it will be a better way to compete as two -- versus two
8 together versus two separately, but also it will be --
9 very simply be in your best economic interest.

10 And so, that's really what we're trying to
11 create with the Kin reward engine is hey, you're building
12 a consumer service. Yeah, you can build your own
13 cryptocurrency, for sure, but if you adopt ours, we just
14 think you'll make more money, and that the entire
15 ecosystem will overall become stronger. So, it's like,
16 you win, you make more money, we win, you know, we have
17 that 30%, but then we both win, because we can both ride
18 the upside.

19 AUDIENCE MEMBER: Will these be considered
20 securities under US federal law?

21 (Laughter.)

22 MR. LIVINGSTON: Turn the cameras off.

23 (Laughter.)

24 MR. LIVINGSTON: That's (inaudible.) I hope
25 not, oh --

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1 own a piece of any entity. You own a piece of an asset.
2 So, we don't think they're securities.

3 AUDIENCE MEMBER: (Inaudible) super cool
4 vision, and more so I love the courage that you've
5 actually taken a step forward. So, two quick questions.
6 So, first, how are you making it mainstream within Kik?
7 Are you giving everyone Kik coins? Are you converting
8 Kik coins to Kin coins? Like, what's your play on there?

9 MR. LIVINGSTON: So, we're going to take the
10 Kik coins playbook and run a very similar thing with Kin,
11 you know, where we give some out to get the economy
12 going, and we build a bunch of (inaudible) marketplaces
13 where you can earn and spend, and we let the market
14 determine prices.

15 AUDIENCE MEMBER: Do you know Kik coins will
16 stay there, or --

17 MR. LIVINGSTON: So, we're going to shut down
18 Kik coins, and we're going to relaunch Kin. The big
19 challenge though, for Kin, is like, the -- like, if we
20 have the transaction line with Kik coins, the Ethereum
21 network would go down, and it'd never go back up. So, we
22 need to roll it in slowly.

23 And so, it really is sort of roll out, you
24 know, you think of sort of like the way Gmail rolled out
25 on the internet sort of user by user. We will do

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1 (Crosstalk.)

2 MR. LIVINGSTON: So, we spent a lot of time on
3 this. Like, obviously, we don't think -- don't want this
4 to be viewed as a currency -- as a security. So,
5 honestly, part of that is like, you know, it's a utility,
6 and making sure this utility -- which it will be -- you
7 know, that's what we've shown with Bitcoins is there's
8 huge utility for this.

9 I don't think that's a question, but I also
10 just, like, sort of fundamentally and philosophically
11 don't think this is a security. You know, a security is
12 you own a piece of a revenue generating entity. Like,
13 you know, you get -- you get, you know, future dividends,
14 this is where it came from, and etcetera.

15 Whereas here it's like, you just literally own
16 an asset, and if demand for that asset goes to zero, then
17 the value of that portion of the asset you hold also goes
18 to zero.

19 And so, from a legal point of view, obviously
20 we are doing everything that this is not a security. You
21 know, how we (inaudible) -- (inaudible) right? Obviously.
22 We don't want to be a security, but I think just like
23 practically and philosophically, these things are not
24 securities. You know, to the earlier question, if demand
25 goes away, the value goes away. You don't -- you don't

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1 something pretty similar.

2 So, it will take time to get to this whole
3 vision of any developer, any user, and any service
4 anywhere in the world, but we're going to try to get
5 there as fast as technologically possible. Anybody who's
6 working on more scalable block chains, you know, that's
7 what we're looking for help with.

8 AUDIENCE MEMBER: And then a second question:
9 so, the very long term (inaudible) is super successful,
10 does Kik become a holding company of Kin coins,
11 essentially, or is, like, Kin Foundation a (inaudible)
12 like, is it -- like, where does it lie on, like
13 (inaudible) -- like, where is this asset?

14 MR. LIVINGSTON: So, 30% falls on Kik's balance
15 sheet, and my dream is that one day we just walk away.
16 Like, you know, we take -- we take 30% of Kin, and we
17 distribute it to shareholders, because at this point, the
18 ecosystem doesn't need us.

19 So, like Kik, as a service in the ecosystem,
20 maybe we spin that out, we continue to build that, maybe
21 we sell that, I don't know, but like, for us, the
22 ultimate dream is for Kik to launch Kin to launch this
23 broader ecosystem, and then for this broader ecosystem to
24 not need Kik, and that's a lot, like -- you know, you
25 look at, like, Satoshi, right?

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1 Like, that guy created something, and then
2 walked away, and it just keeps going. And so, we're not
3 going to walk away. You know, we want to make sure it's
4 going to go all the way, but at some point we love the
5 idea that we -- you know, we could be so successful, so
6 decentralized, so economist, that, like, our
7 participation becomes zero.

8 AUDIENCE MEMBER: So, you just want to be
9 (inaudible.)

10 MR. LIVINGSTON: I mean, I'm tired of it --
11 (Laughter.)

12 MR. LIVINGSTON: No, like -- you know, building
13 a company is hard, right? I've been building Kik for
14 eight and a half years. I started when I was 22. I just
15 turned 30 in April, and my younger brother, who is like,
16 hey, so, I guess you're officially a middle-aged
17 entrepreneur.

18 And I'm like, hey, you can't say that.
19 (Inaudible.) I'm still young. Building a company is
20 hard, and like, you know -- like, for me, this is not,
21 like, about building a profile, or having power, or
22 anything like that. I just like to build cool stuff with
23 cool people.

24 And so, you know, there's other things I want
25 to build, and hey -- so, the idea that if Kik can get to

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1 30% both.

2 MR. LIVINGSTON: Yeah, so I guess what you're
3 saying is you're sort of taking 40%?

4 AUDIENCE MEMBER: Well (inaudible) --

5 MR. LIVINGSTON: So, maybe this is, like -- the
6 allocation is, we're selling 10%. So, we're creating 10
7 trillion Kin tokens. You know, why a trillion? Because
8 consumers, when they post in our group chat, they don't
9 want to earn .0002 Bit coin, they'd rather have two Kin.

10 So you know, we just always look at this group
11 (inaudible) so that's why so many. We're going to take 1
12 trillion of those tokens and then sell it in a token
13 distribution event, and we're going to do half presale
14 through institutional investors, which is already
15 completely spoken for (inaudible) and then half through a
16 public distribution event, and that distributor event, we
17 think we have some cool ideas to -- how can one side not
18 be greedy, like capita -- what we think is, like, a
19 reasonable amount, but what the other side will think is
20 fair, so that the people who want to purchase Kik can.

21 So, that will be the first 1 trillion tokens.
22 3 trillion tokens will be in Kik. There will be an
23 investing schedule with 10% a quarter per 10 quarters,
24 and the remaining 6 trillion tokens will go to the
25 foundation, and that will be used to grow -- you can use

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1 a place where it does the world a lot of good, and a lot
2 of people make a lot of money, and I can go build the
3 next thing, like, that'd be really cool.

4 AUDIENCE MEMBER: So, my question is regarding
5 the ICO. Let's say it's successful as some of these
6 recent ICOs, and you raise \$50 million worth of Ether.
7 What will you guys do with that Ether?

8 MR. LIVINGSTON: So, we will convert it to US
9 dollars. So -- is that what your question is?

10 AUDIENCE MEMBER: Or how are you going to use
11 the funds? Well, how are you going to use the funds?
12 Because, like, most other ICOs are using those funds to
13 build another platform.

14 MR. LIVINGSTON: Yeah.

15 AUDIENCE MEMBER: You guys already have a
16 platform.

17 MR. LIVINGSTON: So, we're going to use the
18 funds to build a new platform. So, to build a new
19 transaction service, the identity service, the reward
20 engine, to build out all these cases inside of Kik, to
21 get a bunch of developers building use cases outside of
22 Kik basically to, like, launch this whole broader
23 ecosystem.

24 AUDIENCE MEMBER: Because it's sort of double
25 dipping, because you're taking that (inaudible) and your

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1 them to pay developers to run all the infrastructure and
2 get everything going. Billion -- man, billion-dollar
3 asset, right? We're rolling it in. That's like, the
4 exciting thing is, you know, can you build a community
5 this big without a lot of investment? No, and that's --
6 so that's, you know, I got to convince my investors, and
7 convince myself that --

8 AUDIENCE MEMBER: How long before you sell it
9 out? That --

10 MR. LIVINGSTON: How long what?

11 AUDIENCE MEMBER: Before you sell it out?

12 MR. LIVINGSTON: How long before we sell it?

13 AUDIENCE MEMBER: Yeah.

14 MR. LIVINGSTON: The 30%?

15 AUDIENCE MEMBER: No, the ICO.

16 MR. LIVINGSTON: Sorry?

17 AUDIENCE MEMBER: (Inaudible.)

18 MR. LIVINGSTON: How long, like, time wise do
19 we sell it out? Like, is it going to happen in, like,
20 three minutes? So, we think we have a very clever way of
21 doing it where that will not be an issue. We could be
22 wrong.

23 I don't think we are wrong. We'll see.
24 Anyways, we talked to people in this space, like, you
25 know, Paul (inaudible) Mark (inaudible) and all these

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1 guys, and Paulie (inaudible) was talking to them, and
 2 explaining to them how we were going to do the public
 3 side. They go, "Wow, that's exactly the right way. You
 4 guys came up with it first. That's so smart." That way
 5 it's, like, both not greedy and fair. That's awesome.
 6 Congratulations guys.

7 So, like we -- like, I can't -- I'm not going
 8 to announce it yet, because I got to make sure -- you
 9 know, we got to make sure it's going to work, but you
 10 know, I think, like, a Kik, we always -- what are all the
 11 options? How can we do this in a way that benefits the
 12 most people, and is the most fair? It's like, win, win,
 13 win.

14 AUDIENCE MEMBER: Hi, Ted. I understand that
 15 the Kin Foundation is separate. I was curious if you
 16 anticipate any effects during a change in control, a
 17 liquidity event, or an IPO or a Kik, and how that would
 18 correlate, or (inaudible) --

19 MR. LIVINGSTON: So, what would happen if Kik
 20 sold, or Kik IPO'd, or -- is that the question?

21 AUDIENCE MEMBER: Yeah, (inaudible.)

22 MR. LIVINGSTON: So -- wow, that's a nice
 23 question. So, we really want this to work, and I really
 24 want this to work, and at the end of the day, I -- we're
 25 very fortunate. I still control the vote of the shares

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1 we are very committed to this. All of our investors are
 2 onboard. All of our team is onboard. People are really
 3 excited about it internally, and so, we're going to go
 4 for it. So, that's the best I can do.

5 TRAVIS: So, looking at the time, I think this
 6 will be the last question, but maybe Ted will stick
 7 around after. People can mill around, talk, we also have
 8 more beer as well. Here we go.

9 AUDIENCE MEMBER: Thanks, Ted. Great talk.
 10 Your heart's really in the right place. That's good to
 11 see. What would you say to a cynic that would say 30% of
 12 these tokens are going to Kik, you said 60% goes to the
 13 foundation, then 10% left, five percent goes to
 14 investors, and then five percent goes in this crowd sale.
 15 The five percent that's raised in the crowd sale, is that
 16 just setting what the rest of these tokens that are just
 17 issued to all these parties are worth?

18 MR. LIVINGSTON: So, we are going to do, like,
 19 a cap raise.

20 AUDIENCE MEMBER: But if whatever the cap of
 21 that five percent is -- say if it's \$40 million, right?
 22 That's \$40 million that exists in the world that is five
 23 percent of this other 95% that you've just made up. What
 24 is -- what do you say to a cynic that says you've just
 25 created all this money by taking the public's fund in

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1 of Kik, and I still hold the majority of the seats at Kik
 2 where (inaudible.)

3 So, I think, like, at the end of the day, if we
 4 were to do something different, it would have to be
 5 because I decided to do something different. It's really
 6 scary for me, actually, and I don't like that.

7 But what it does mean is that, you know, I'm
 8 committed to this, and I really want to do this, and the
 9 reason we got excited about this in 2011 is selling
 10 sucks, because you know, somebody takes it and does
 11 whatever they want with it. Going public sucks, because
 12 you get on this treadmill where you need to squeeze more
 13 and more revenue out of these people, and you're on this
 14 never ending treadmill.

15 There has to be another way, and the reason we
 16 like to say that is this is the third way. You know, you
 17 build an economy, get everybody transacting in
 18 cryptocurrency, you own some of that cryptocurrency, and
 19 then you can walk away, not because you want to walk
 20 away, but because you could.

21 And so, I think for us, it's like, I don't know
 22 what's going to happen in the future, right? I don't
 23 know if there's going to be some crazy hostile takeover,
 24 or you know, I don't know what's going to happen, but I
 25 know as of right now, like, I am very committed to this,

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1 this hyped event? You know, right at peak height with
 2 all this block chain stuff, you know, what do you say to
 3 that person?

4 MR. LIVINGSTON: So, I think -- like, for me, I
 5 think is like the dot com, for better and for worse. So,
 6 you know, there is a lot of hype right now, and people
 7 are going to make a lot of money -- people have made a
 8 lot of money. People are going to lose a lot of money
 9 here. This is coming, right? It's going to happen
 10 multiple times as we move through this innovation, but at
 11 the end of the day, Amazon and Google came out of the
 12 dot com.

13 And so, this is how I view, like, tokens and
 14 ICOs. I think 90% of them probably are going to go to
 15 zero, and people are going to lose a lot of money, and
 16 you know, the regulators are going to come in. They're
 17 going to say, how do we make this (inaudible) for
 18 innovation, but still make it safe for consumers, and
 19 everybody's going to be trying to figure this out, and
 20 it's going to be crazy.

21 It's going to be -- I was in like, high school
 22 at the time, but I think like 2001 -- in 2000 or 2001,
 23 whatever year it was, it's going to be that all over
 24 again, and I think for us, it's -- we believe that, you
 25 know, a few huge economic entities are going to come out

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1 of this space, and I think that actually a few huge
2 economic entities have already come into this space.

3 And so, I think, you know, like everything,
4 it's risk and reward, but I think, you know, we have a
5 good story, and I think we're trying to do it in a fair,
6 way, and I think our heart's in the right place, and
7 we're going to do everything we can.

8 You know, what really scares me at the end of
9 the day is disappointing people, and I think what scares
10 me about doing a crowd sale is before, if Kik failed, I
11 would disappoint a bunch of rich people. But now if Kik
12 fails, I will disappoint a bunch of regular people, and
13 that, like, really weighs on me. (Inaudible) we need --
14 so, we're going to do everything we can to make it a win
15 for everybody.

16 AUDIENCE MEMBER: Thank you.

17 MR. HUNT: All right. Well, that was a great
18 talk. Let's all thank Ted for coming.

19 (Applause.)

20 MR. HUNT: Thanks so much. We have lots of
21 beer over here. Let's go check it out.

22 (End of audio.)

23 * * * * *

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1 TRANSCRIBER'S CERTIFICATE

2

3 I, ERIC AXT, hereby certify that the foregoing
4 transcript is a complete, true and accurate transcription
5 of all matters contained on the recorded proceedings in
6 the matter of:

7 KIK INTERACTIVE, FILE: AN EVENING WITH TED LIVINGSTON,
8 CEO OF KIK (JUNE 2017).

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